

## **ACUTE CARE EPISODE DEMONSTRATION**

The Acute Care Episode (ACE) Demonstration will test the effect of bundling Part A and B payments for episodes of care to improve the coordination, quality, and efficiency of that care.

### **BACKGROUND:**

CMS has articulated a vision for health care quality, *the right care for every person every time*. This vision is motivated by well-documented deficiencies in the quality and safety of health care as well as unsustainable growth in health care spending in the United States health system overall. Because Medicare's current payment systems reward quantity of services provided, rather than quality of care, CMS is pursuing new methods (through public reporting programs, demonstration projects, and other efforts) of paying providers that will encourage improvements in both the efficiency and quality of care provided to Medicare beneficiaries.

### **DEMONSTRATION AUTHORITY:**

Section 1866C of the Social Security Act, as added by section 646 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, (P.L. 108-173) allows the Secretary to approve demonstration projects that examine health delivery factors that encourage the delivery of improved quality in patient care, including the provision of incentives for improving the quality and safety of care and achieving the efficient allocation of resources.

The Secretary is waiving those requirements of title XVIII necessary to allow the payment of a bundled payment for an ACE. The Secretary is also waiving those provisions of title XI (e.g., sections 1128A and 1128B) and title XVIII necessary to conduct a shared-savings or gainsharing program at the demonstration sites, as well as to allow payment to Medicare beneficiaries representing a portion of the savings achieved by Medicare under the demonstration. The President's Office of Management and Budget has approved the implementation of this demonstration.

### **DEMONSTRATION DESIGN:**

The 3-year ACE demonstration will test the use of a global payment for an episode of care as an alternative approach to payment for service delivery. The global payment will cover all Part A and Part B services, including physician services, pertaining to the inpatient stay for Medicare fee-for-service beneficiaries. The episodes of care will be for specified cardiovascular and/or orthopedic procedures, and participating sites will be known as Value-Based Care Centers. The sites must meet particular procedure volume thresholds, have established quality improvement mechanisms, and be located in Medicare Administrative Contractor (MAC) Jurisdiction 4, composed of Texas, Oklahoma, New Mexico, and Colorado.

## **Eligible Organizations**

For the ACE demonstration, eligible organizations are defined as entities including an affiliation between at least one physician group and at least one hospital, routinely providing the procedures included in the demonstration.

## **Provider Incentives**

Under this demonstration, sites have the option to reward individual clinicians, teams of clinicians, or other hospital staff who succeed with measurable clinical quality and efficiency improvements.

## **Beneficiary Incentives**

Demonstration sites may provide in-kind services to beneficiaries and their families. In addition, CMS will share up to 50 percent of the Medicare savings in the form of payments to beneficiaries to offset their Medicare cost-sharing obligations. Such payments to beneficiaries cannot exceed their annual Part B premium amount.

## **Competitive Bids**

Applicants were required to include a competitive bid for each listed DRG in their selected category of cardiovascular and/or orthopedic procedures. The applicable discount was expressed as a discount off the entity's base DRG payment amount.

## **DEMONSTRATION STATUS:**

Baptist Health System in San Antonio, Texas; Oklahoma Heart Hospital, LLC in Oklahoma City, Oklahoma; Exempla Saint Joseph Hospital in Denver, Colorado; Hillcrest Medical Center in Tulsa, Oklahoma; and Lovelace Health System in Albuquerque, New Mexico were selected to participate in the demonstration. Hillcrest Medical Center implemented the demonstration on May 1, 2009, and Baptist Health System, on June 1, 2009 as Value-Based Care Centers for both orthopedic and cardiovascular procedures. Both sites have since been extended for up to 1 additional year, Hillcrest for orthopedic procedures and Baptist for cardiovascular and orthopedic procedures. Oklahoma Heart Hospital implemented the demonstration on January 1, 2010 as a Value-Based Care Center for cardiovascular procedures. Exempla Saint Joseph Hospital and Lovelace Health System started on November 1, 2010. Exempla Saint Joseph Hospital is a Value-Based Care Center for cardiovascular procedures; Lovelace Health System, for both orthopedic and cardiovascular procedures.

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